



MAKHUDUTHAMAGA LOCAL MUNICIPALITY

(Municipal demarcation code LIM473)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30/06/2012

Makhuduthamaga Local Municipality

(Municipal demarcation code LIM473)

Annual Financial Statements for the year ended 30/06/2012

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Provision of municipal quality services and maintaining the best interests of the local community in the Makhuduthamaga area
Mayor	Cllr Matlala M.A
Speaker	Cllr Makaleng M
Cheif Whip	Cllr Malaka MS
Executive Councillors	Cllr Mampane M.A Cllr Lerobane M.P Cllr Masemola H.R Cllr Madiba M.F Cllr Mndebele M.E Cllr Matjomane N.M Cllr Makaleng M.M Cllr Maisela K.R Cllr Tala M.A
Grading of local authority	Low capacity municipality
Accounting Officer	Moropa M.E
Chief Finance Officer (CFO)	Diale D.S
Postal address	Private Bag x 434 Jane Furse 1085
Bankers	ABSA Bank Limited
Auditors	Auditor General

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DME	Department of Minerals and Energy
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:



Moropa ME
Municipal Manager

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Audit Committee Report

We are pleased to present our report for the financial year ended 30/06/2012.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 6 meetings were held.

Name of member	Number of meetings attended
Ntwampe R.G (Chairperson)	6
Mashala K.E	3
Nekhavambe S.B	6
Gafane L.A.T (Appointed 15 December 2011)	0
Chuene V.K (Appointed 15 December 2011)	3

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the auditors of the municipality during the year under review.

Evaluation of annual financial statements

We have:

- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions;

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.


Chairperson of the Audit Committee

Date: 30/08/2012

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30/06/2012.

1. Review of activities

Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in provision of municipal quality services and maintaining the best interests of the local community in the Makhuduthamaga area. The municipality operates principally in South Africa.

Net surplus of the municipality was R 81,114,048 (2011: surplus R 65,544,558).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
ME Moropa	South African

6. Bankers

The municipality banks primarily with ABSA Bank Limited.

7. Auditors

The Auditor General will continue in office for the next financial period.

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Annual Financial Statements for the year ended 30/06/2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Inventories	6	507,095	477,345
VAT receivable	7	17,883,570	14,002,206
Consumer debtors	8	71,160,075	37,574,356
Cash and cash equivalents	9	80,670,039	74,761,162
		170,220,779	126,815,069
Non-Current Assets			
Investment property	3	1,171,500	1,171,500
Property, plant and equipment	4	161,875,412	114,639,338
Intangible assets	5	964,288	1,274,799
		164,011,200	117,085,637
Total Assets		334,231,979	243,900,706
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	12	24,334,352	19,854,830
Unspent conditional grants and receipts	11	4,638,388	104,000
		28,972,740	19,958,830
Non-Current Liabilities			
Finance lease obligation	10	203,315	-
Total Liabilities		29,176,055	19,958,830
Net Assets		305,055,924	223,941,876
Net Assets			
Accumulated surplus		305,055,924	223,941,876

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Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Administration and management fees received	16	2,466,116	2,399,160
Government grants & subsidies	15	168,701,612	147,544,476
Interest received	22	10,416,727	5,973,122
Property rates	14	41,358,051	24,906,459
Rental of facilities and equipment		92,511	33,899
Other income	16	703,661	1,219,201
Total Revenue		223,738,678	182,076,317
Expenditure			
Administration		(6,494,661)	(5,013,348)
VAT Impairment	7	(7,337,286)	-
Contracted services	25	(3,935,302)	(5,803,750)
Loss on sale of Assets		(1,344,596)	-
Debt impairment	21	(7,221,896)	(1,866,467)
Depreciation and amortisation	23	(9,618,467)	(8,747,844)
Finance costs		(8,730)	-
General Expenses	17	(46,820,841)	(46,165,085)
Grants and subsidies paid	26	(4,279,906)	(3,260,347)
Personnel	19	(25,671,515)	(20,952,976)
Remuneration of councillors	20	(13,951,429)	(13,496,393)
Repairs and maintenance		(15,940,001)	(11,225,549)
Total Expenditure		(142,624,630)	(116,531,759)
Surplus for the year		81,114,048	65,544,558

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	216,860,523	216,860,523
Adjustments		
Prior year adjustments	(58,463,205)	(58,463,205)
Balance at 01/07/2010 as restated	158,397,318	158,397,318
Changes in net assets		
Surplus for the year	65,544,558	65,544,558
Total changes	65,544,558	65,544,558
Balance at 01/07/2011	223,941,876	223,941,876
Changes in net assets		
Surplus for the year	81,114,048	81,114,048
Total changes	81,114,048	81,114,048
Balance at 30/06/2012	305,055,924	305,055,924

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Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Cash received from Consumers, Government and other sources of revenue		161,265,936	146,965,577
Interest income		10,416,727	5,973,122
		171,682,663	152,938,699
Payments			
Cash paid to suppliers, employees and other related services		(108,088,475)	(125,591,485)
Net cash flows from operating activities	27	63,594,188	27,347,214
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(58,545,517)	(16,428,804)
Proceeds from sale of property, plant and equipment	4	659,786	-
Purchase of other intangible assets	5	(2,895)	(1,335,506)
Net cash flows from investing activities		(57,888,626)	(17,764,310)
Cash flows from financing activities			
Finance lease payments		203,315	-
Net increase/(decrease) in cash and cash equivalents		5,908,877	9,582,904
Cash and cash equivalents at the beginning of the year		74,761,162	65,178,258
Cash and cash equivalents at the end of the year	9	80,670,039	74,761,162

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policies.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables, loans and other receivables

The municipality assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

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Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the prime interest rate plus 1% to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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Accounting Policies

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

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Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	25 years
Plant and machinery	2 - 10 years
Furniture and fixtures	7 years

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Accounting Policies

1.3 Property, plant and equipment (continued)

Motor vehicles	8 years
Office equipment	3 - 4 years
IT equipment	3 years
Prefabricates culverts	25 years
Concrete kerbing, channeling, chutes and Downpipes	40 years
Mass Earthworks	80 years
Pavement layers	15 years
Prime coat	15 years
Double seals	15 years
Pitching, stonework and protection	15 years
Gabions	25 years
Guardrails	25 years
Road signs	15 years
Road markings	15 years
Concrete block paving for roads	15 years
Concrete for structures	15 years
Street lighting	15 years
High mast lights	15 years
Capital work in progress	Not depreciated

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Depreciation is calculated on a straight line basis from the time depreciable assets become ready for use.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or

the rights are transferable or separate

- arises from contractual rights or other legal rights, regardless whether those rights are enforceable by law or not, and the municipality or from other rights and obligations.

An intangible asset is recognised when:

the asset is identifiable and its cost can be reliably measured

- it is probable that the expected future economic benefits or service potential will flow to the municipality

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Accounting Policies

1.4 Intangible assets (continued)

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software	3 - 5 years
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Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method.

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Accounting Policies

1.5 Financial instruments (continued)

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit.

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Accounting Policies

1.5 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

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1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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1.9 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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Accounting Policies

1.9 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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1.10 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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1.11 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.12 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

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1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Comparative Information

When the presentation or classification of items in the annual financial statement are amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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1.17 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.21 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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1.23 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 37.

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01/07/2012 or later periods:

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01/07/2012 or later periods but are not relevant to its operations:

3. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1,171,500	-	1,171,500	1,171,500	-	1,171,500

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

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Figures in Rand 2012 2011

4. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	200,000	-	200,000	-	-	-
Buildings	17,026,605	(3,225,747)	13,800,858	13,758,105	(2,629,373)	11,128,732
Furniture and fixtures	1,928,953	(811,892)	1,117,061	2,729,045	(1,055,424)	1,673,621
Motor vehicles	7,403,848	(3,208,623)	4,195,225	7,657,055	(4,516,448)	3,140,607
Office equipment	997,454	(465,912)	531,542	977,078	(327,019)	650,059
IT equipment	2,171,657	(837,038)	1,334,619	2,192,830	(1,024,338)	1,168,492
Infrastructure	107,042,245	(18,792,378)	88,249,867	95,067,922	(12,079,105)	82,988,817
Loose tools	758,474	(170,830)	587,644	507,891	(37,693)	470,198
Capital work in progress	51,858,596	-	51,858,596	13,418,812	-	13,418,812
Total	189,387,832	(27,512,420)	161,875,412	136,308,738	(21,669,400)	114,639,338

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land	-	200,000	-	-	-	200,000
Buildings	11,128,732	3,268,501	-	-	(596,375)	13,800,858
Furniture and fixtures	1,673,621	372,360	(514,782)	-	(414,138)	1,117,061
Motor vehicles	3,140,607	2,860,547	(896,345)	-	(909,584)	4,195,225
Office equipment	650,059	130,712	(63,809)	-	(185,420)	531,542
IT equipment	1,168,492	956,936	(449,336)	-	(341,473)	1,334,619
Infrastructure	82,988,817	11,974,324	-	-	(6,713,274)	88,249,867
Loose tools	470,198	342,353	(80,109)	-	(144,798)	587,644
Capital work in progress	13,418,812	52,994,355	-	(14,554,571)	-	51,858,596
	114,639,338	73,100,088	(2,004,381)	(14,554,571)	(9,305,062)	161,875,412

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Transfers i.r.o. prior period error	Depreciation	Total
Buildings	10,024,436	1,603,500	-	(499,204)	11,128,732
Furniture and fixtures	1,859,271	187,069	-	(372,719)	1,673,621
Motor vehicles	4,476,623	-	-	(1,336,016)	3,140,607
Office equipment	421,319	349,240	-	(120,500)	650,059
IT equipment	686,793	760,741	-	(279,042)	1,168,492
Infrastructure	83,014,377	1,079,269	4,940,145	(6,044,974)	82,988,817
Loose tools	17,786	487,093	-	(34,681)	470,198
Capital work in progress	1,456,920	11,961,892	-	-	13,418,812
	101,957,525	16,428,804	4,940,145	(8,687,136)	114,639,338

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Figures in Rand	2012	2011
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5. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	1,338,401	(374,113)	964,288	1,335,506	(60,707)	1,274,799

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,274,799	2,895	(313,406)	964,288

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	1,335,506	(60,707)	1,274,799

6. Inventories

Consumable stores	507,095	477,345
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7. VAT receivable

VAT	17,883,570	14,002,206
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VAT is payable on invoice basis and claimed from SARS when an Invoice is received.

Reconciliation of VAT Receivable

Opening balance	14,002,206	10,116,513
Plus: Net refund as per VAT 201s	16,462,912	10,503,867
Plus: VAT suspense - Retention current	3,066,131	2,643,577
Less: Prior year suspense	(2,643,577)	(623,969)
Less: VAT Impairment	(7,337,286)	-
Less: VAT payment by SARS - Current year	(794,388)	(5,634,333)
Less VAT payment by SARS - prior year	(4,872,428)	(3,003,449)
	17,883,570	14,002,206

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Figures in Rand	2012	2011
8. Consumer debtors		
Gross balances		
Rates	82,810,854	42,007,052
Less: Provision for debt impairment		
Rates	(11,650,779)	(4,432,696)
Net balance		
Rates	71,160,075	37,574,356
Rates		
Current (0 -31 days)	5,398,908	5,718,629
32 - 61 days	3,600,163	1,995,390
62 - 91 days	3,752,449	1,827,956
92 - 121 days	3,974,869	1,786,488
>122 days	54,433,686	26,245,892
	71,160,075	37,574,355
Reconciliation of debt impairment provision		
Balance at beginning of the year	(4,432,697)	(2,566,229)
Contribution to provision	(7,218,082)	(1,866,468)
	(11,650,779)	(4,432,697)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired excluding government debtors. At 30/06/2012, R 62 770 168 (2011: R 31,855,725) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3,600,163	1,995,390
2 months past due	3,752,450	1,827,955
3 months past due	3,974,869	1,786,488
4 months past due	54,442,686	26,245,892

Consumer debtors impaired

As of 30/06/2012, consumer debtors of (R 11 641 779) (2011: R (4,432,697)) were impaired and provided for.

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Figures in Rand	2012	2011
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	435	618
Bank balances	80,669,604	74,760,544
	80,670,039	74,761,162

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
ABSA Bank - 4069702429 - Call account	61,881,811	60,050,344	61,881,811	60,050,344
ABSA Bank - 4063761912 - Traffic cheque account	15,144,338	13,072,090	15,144,338	13,068,266
ABSA Bank - 4050384145 - Primary cheque account	3,212,454	2,368,477	2,454,961	1,591,409
ABSA Bank - 4076690079 - Salaries bank account	1,671,389	515,292	1,188,495	50,525
Total	81,909,992	76,006,203	80,669,605	74,760,544

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Figures in Rand	2012	2011
10. Finance lease obligation		
Present value of minimum lease payments due		
- within one year	138,256	-
- in second to fifth year inclusive	80,649	-
	218,905	-
less: future finance charges	(15,590)	-
Present value of minimum lease payments	203,315	-

The average lease term was 2 years and the average effective borrowing rate was linked to the prime lending rate.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4, under IT equipment.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	4,030,388	-
Expanded Public Works Programme (Dep't of Public Works) Incentive Grant	608,000	104,000
	4,638,388	104,000

Movement during the year

Balance at the beginning of the year	104,000	11,299,501
Additions during the year	4,534,388	104,000
Income recognition during the year	-	(11,299,501)
	4,638,388	104,000

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 15 for reconciliation of grants from Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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Figures in Rand	2012	2011
12. Trade and other payables from exchange transactions		
Trade payables	18,950,100	13,342,901
Payments received in advanced - contract in process	193,193	-
Creditor: Ward committee	13,814	5,000
Accrued leave pay	-	1,351,567
Accruals	5,135,601	5,146,151
Deposits received	41,644	9,211
	24,334,352	19,854,830
13. Revenue		
Property rates	41,358,051	24,906,459
Rental of facilities & equipment	92,511	33,899
Government grants & subsidies	168,701,612	147,544,476
	210,152,174	172,484,834
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental of facilities & equipment	92,511	33,899
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	41,358,051	24,906,459
Government grants & subsidies	168,701,612	147,544,476
	210,059,663	172,450,935
14. Property rates		
Rates received		
Property Rates	41,358,051	24,906,459
Valuations		
Commercial	396,496,000	259,138,000
Municipal	19,100,000	15,754,300
Residential	232,390,000	214,316,400
Social	26,280,000	33,537,000
State	1,054,269,000	652,980,000
	1,728,535,000	1,175,725,700

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation was implemented on 01 July 2011.

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Figures in Rand	2012	2011
15. Government grants and subsidies		
Equitable share	126,283,000	111,893,476
Municipal Infrastructure Grant	30,128,612	28,401,000
Financial Management Grant	1,500,000	1,500,000
Municipal Systems Improvement Program Grant	790,000	750,000
Integrated National Electrification Program Grant	10,000,000	5,000,000
	168,701,612	147,544,476

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	11,243,930
Current-year receipts	34,159,000	28,401,000
Conditions met - transferred to revenue	(30,128,612)	(28,401,000)
2010/11 MIG received in advance	-	(11,243,930)
	4,030,388	-

Conditions still to be met - remain liabilities (see note 11)

Financial Management Grant

Balance unspent at beginning of year	-	42,051
Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,500,000)	(1,500,000)
Reverted to National Treasury	-	(42,051)
	-	-

Conditions still to be met - remain liabilities (see note 11)

Municipal Systems Improvement Program Grant

Balance unspent at beginning of year	-	13,520
Current-year receipts	790,000	750,000
Conditions met - transferred to revenue	(790,000)	(750,000)
Reverted to National Treasury	-	(13,520)
	-	-

Conditions still to be met - remain liabilities (see note 11)

Integrated National Electrification Programme Grant

Current-year receipts	10,000,000	5,000,000
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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
15. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(10,000,000)	(5,000,000)
	-	-

All conditions to the Integrated National Electrification Programme Grant were met during the year.

Expanded Public Works Programme Incentive Grant

Balance unspent at beginning of year	104,000	-
Current-year receipts	504,000	104,000
	608,000	104,000

Conditions still to be met - remain liabilities (see note 11)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

16. Other income

Administration and management fees received - third party	2,466,116	2,399,160
Sundry Income	703,661	1,219,201
	3,169,777	3,618,361

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Figures in Rand	2012	2011
17. General expenses		
Advertising	768,465	788,786
Assets expensed	3,749,617	19,501,459
Auditors remuneration	1,886,403	1,218,993
Bank charges	97,497	97,698
Cleaning	590,382	371,399
Conferences and seminars	78,030	273,930
Consulting and professional fees	2,715,506	4,399,721
Delivery expenses	6,600	-
Donations	92,312	989,157
Electricity	466,501	633,161
Entertainment	125,636	481,784
Fuel and oil	566,016	474,882
General expenses	15,689,418	583,320
IT expenses	165,925	340,539
Insurance	451,026	350,396
Lease rentals on operating lease	292,603	260,679
Marketing	274,660	161,652
Motor vehicle expenses	18,143	341,083
Postage and courier	9,935	43,318
Printing and stationery	679,685	706,066
Promotions and sponsorships	1,356,749	1,539,832
Protective clothing	27,574	-
Publications	371,610	491,361
Security (Guarding of municipal property)	10,082,744	7,274,474
Subscriptions and membership fees	505,019	264,664
Telephone and fax	379,092	356,080
Traditional leader support	95,250	33,400
Training	3,372,290	2,529,495
Travel - local	1,906,153	1,657,756
	46,820,841	46,165,085

18. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Lease rentals on operating lease

• Contractual amounts	292,603	260,679
Amortisation on intangible assets	313,406	60,707
Depreciation on property, plant and equipment	9,305,061	8,687,137
Employee costs	39,622,944	34,449,369

19. Employee related costs

Basic	14,895,818	13,834,338
Bonus	1,094,922	97,929

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Figures in Rand	2012	2011
19. Employee related costs (continued)		
Medical aid - company contributions	1,184,131	661,975
UIF	118,733	104,273
SDL	196,977	164,657
Leave pay provision charge	274,388	156,341
Post-employment benefits - Pension - Defined contribution plan	2,899,570	2,238,766
Overtime payments	167,842	175,617
Car allowance	3,367,048	2,617,112
Housing benefits and allowances	843,319	396,100
Clothing Allowance	12,084	7,249
Cellphone allowance & costs	616,683	498,619
	25,671,515	20,952,976
Remuneration of municipal manager		
Annual Remuneration including benefits and allowances	955,169	889,352
Remuneration of chief finance officer		
Annual Remuneration including benefits and allowances	867,558	816,000
Director corporate and human resources (corporate services)		
Annual Remuneration including benefits and allowances	710,370	638,900
Director health, safety and social services (emergency management services)		
Annual Remuneration including benefits and allowances	719,721	638,900
Director procurements and infrastructure (planning, transport and environmental affairs)		
Annual Remuneration including benefits and allowances	703,378	638,900
20. Remuneration of councillors		
Mayor	633,858	362,756
Speaker	437,779	274,271
Mayoral Committee Members	3,299,821	1,628,247
Councillors	5,694,592	5,707,925
Councillors' pension contribution	1,004,900	1,450,915
Allowances	2,752,712	3,839,146
Travel claims	77,146	188,647
Skills Development Levy	50,621	44,486
	13,951,429	13,496,393
In-kind benefits		

The Department of Local Government provided the municipality with an Accountant Resident who was still in service in

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
20. Remuneration of councillors (continued)		
year under review.		
21. Debt impairment		
Current year doubtful debts allowance	11,654,593	4,432,696
Less: Previous doubtful debts	(4,432,696)	(2,566,229)
	7,221,897	1,866,467
22. Investment revenue		
Interest revenue		
Bank and investments	3,671,638	3,048,256
Interest charged on trade and other receivables	6,745,089	2,924,866
	10,416,727	5,973,122
23. Depreciation and amortisation		
Property, plant and equipment	9,305,061	8,687,137
Intangible assets	313,406	60,707
	9,618,467	8,747,844
24. Auditors' remuneration		
Fees	1,886,403	1,218,993
25. Contracted services		
Information Technology Services	-	136,959
Specialist Services	152,203	1,349,281
Other Contractors	3,783,099	4,317,510
	3,935,302	5,803,750
26. Grants and subsidies paid		
Other subsidies		
Indigent grants	4,279,906	3,260,347

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
27. Cash generated from operations		
Surplus	81,114,048	65,544,558
Adjustments for:		
Depreciation	9,618,467	8,747,844
Loss on sale of Assets	1,344,596	-
VAT Impairment	7,337,286	-
Debt impairment	7,221,896	1,866,467
Movements in provisions	-	(201,495)
Changes in working capital:		
Inventories	(29,750)	(363,125)
Consumer debtors	(40,807,615)	(25,306,018)
Trade and other payables from exchange transactions	4,479,522	11,145,276
VAT	(11,218,650)	(3,468,474)
Unspent conditional grants and receipts	4,534,388	(11,195,501)
'Non Cash movement due to unbundling and prior period error'	-	(19,422,318)
	63,594,188	27,347,214

28. Commitments

Authorised operating and capital expenditure

Operational expenditure

• Approved and contracted	3,665,023	4,160,705
• Approved but not yet contracted	-	-
	3,665,023	4,160,705

Capital expenditure

• Property, plant and equipment	20,097,891	10,858,706
• Investment property	-	-
	20,097,891	10,858,706

The municipality still has future commitments to service providers for services still to be rendered. The minimum payments still due to the service providers at 30 June 2012 amount to R23 762 914 for capital commitments..

29. Contingencies

There are no litigations in process against the municipality for the year under review

30. Related parties

Relationships

Councillors and members of key management

Refer to General Information page for detail on councillors and key management.

Remuneration of senior management, and councillors is disclosed in note 19 and note 20 respectively.

31. Prior period errors

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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31. Prior period errors (continued)

1. In the prior year capital commitments were incorrectly accrued and have been retrospectively reclassified.
2. Investment property, was previously not accounted in the accounting records of the municipality and have been retrospectively accounted.
3. Intangible assets, was previously wrongly classified as property, plant and equipment and have been retrospectively reclassified. Depreciation and amortisation have been retrospectively restated.
4. Government debtors, were incorrectly impaired in the prior year and have been retrospectively adjusted.
5. Expenses of a capital in nature were incorrectly expense in the statement of financial performance and they have been retrospectively reclassified to property, plant and equipment.
6. Property, plant and equipment was restated due to unbundling and depreciation was restated due to the unbundling.

The correction of the errors results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	-	(24,631,809)	-
Investment property	-	-	1,117,500	-
Intangible Assets	-	-	1,274,799	-
Trade and other payables			8,221,140	-
VAT receivable	-		957,286	-
Consumer Debtors	-		26,245,893	-
Accumulated surplus or deficits	-	-	13,310,663	-

Statement of financial performance

Depreciation and amortisation			2,558,393	-
Personnel Cost	-	-	(20,670)	-
Debt Impairment	-	-	(26,245,893)	-
General expenses	-	-	(872,405)	-
Repairs and maintenance			(54,325)	-

32. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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32. Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

33. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as going concern is dependent on funding from the national treasury

34. Unauthorised expenditure

Electricity	495,633	-
Repairs and Maintenance Other	361,266	-
Upgrading & Maintenance Sports	46,713	-
Less: Amounts condoned	(903,612)	-
	-	-

The above unauthorised expenditure relates to overspending on expenditure votes for the current year. There were no unauthorised expenditure in the prior year. The municipality has introduced stringent measures to ensure that no spending will be allowed on votes that have fully utilized their budget

The unauthorised expenditure has been condoned by the council as per resolution No. 12 of 2012 financial year.

35. Fruitless and wasteful expenditure

Balance at the beginning at of the year	-	4,304
Additions during the year	2,338	3,914
Less: Amounts condoned	(2,338)	(8,218)
	-	-

The above fruitless and wasteful expenditure relates to penalties and interest levied from supplier to whom payments were not made on time. The municipality has strived to ensure that the fruitless and wasteful expenditure is reduced to zero, by following up all tax invoices to ensure that they are received on time and payments are effected timeously.

Fruitless and wasteful expenditure has been condoned by the council as per resolution No. 12 of 2012 financial year.

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Figures in Rand	2012	2011
36. Irregular expenditure		
Add: Irregular Expenditure - current year	1,673,574	17,854,680
Less: Amounts condoned	(1,673,574)	(17,854,680)
	-	-
Details of irregular expenditure		
Incident		
Integrated National Electrification Programme (Municipal) Grant	Irregular expenditure in the current year relates to expenditure that was incurred against the provisions of section 84(1)(c) of the Municipal Structures Act which vests the function of bulk supply of electricity (including the transmission, distribution and generation of electricity) in district municipalities. Contrary to the Act, the municipality used the equitable share for provision of electricity.	-
Details of irregular expenditure condoned		
	Irregular expenditure has been condoned by the council as per resolution No. 12 of 2012 financial year	-
	The Municipality is no longer paying for Electricity projects that are not funded by the Department of Energy	-
		-

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Figures in Rand	2012	2011
37. Reconciliation between budget and statement of financial performance		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net surplus per the statement of financial performance	81,114,048	65,544,558
Adjusted for:		
Property rates	85,696	105,443
Investment revenue	(1,215,937)	(3,198,829)
Transfers recognised	5,578,388	524
Other own revenue	2,885,269	14,039,911
Employee costs	1,549,043	(4,791,994)
Remuneration of councillors	(5,782,354)	46,399
Depreciation & asset impairment	4,190,484	(1,813,386)
Finance charges	(12,502)	(108,033)
Transfers and grants	-	760,347
Other expenditure	39,075,868	38,002,896
Net surplus per approved budget	127,468,003	108,587,836
38. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees		
Amount paid - previous years	1,882,303	1,218,993
Pension and Medical Aid Deductions		
Current year subscription / fee	3,984,320	2,238,766
Amount paid - current year	(3,984,320)	(2,238,766)
	-	-
VAT		
VAT receivable	17,883,570	14,002,206

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Deviations occurred in the current year in respect of procurements of over R 2 000 for which it is required, in terms of the Treasury Regulations, that the municipality obtain quotations from at least three prospective suppliers that are registered on the list prospective suppliers prior to selecting sources of procurement. Approval for the transactions concerned was obtained as described above.

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Figures in Rand	2012	2011
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39. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D for the comparison of actual operating expenditure versus budgeted expenditure.

Appendix B

June 2012

Analysis of property, plant and equipment as at 30 June 2012 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
and buildings														
and (Separate for AFS purposes) andfill Sites (Separate for AFS purposes)	-	200,000	-	-	-	-	200,000	-	-	-	-	-	-	200,000
tuaries (Separate for AFS purposes) buildings (Separate for AFS purposes)	13,758,105	3,268,500	-	-	-	-	17,026,605	(2,629,373)	-	-	(596,375)	-	(3,225,748)	13,800,857
	13,758,105	3,468,500	-	-	-	-	17,225,605	(2,629,373)	-	-	(596,375)	-	(3,225,748)	14,000,857
Infrastructure														
refabricated culverts	2,401,091	77,722	-	-	-	-	2,478,813	(192,087)	-	-	(88,590)	-	(290,677)	2,188,136
concrete kerbing, Channelling	170,134	405,958	-	-	-	-	576,092	(8,507)	-	-	(12,567)	-	(21,074)	555,018
Mass Earthworks	2,862,842	48,576	-	-	-	-	2,911,418	(71,571)	-	-	(36,283)	-	(107,854)	2,803,564
avement layers	43,434,736	366,750	-	-	-	-	43,801,486	(5,791,298)	-	-	(2,915,678)	-	(8,706,976)	35,094,510
rime coat	126,243	-	-	-	-	-	126,243	(16,832)	-	-	(8,416)	-	(25,248)	100,995
ouble Seals	12,273,625	-	-	-	-	-	12,273,625	(1,636,483)	-	-	(818,242)	-	(2,454,725)	9,818,900
itching, Stonework and Protection	4,525,500	-	-	-	-	-	4,525,500	(603,400)	-	-	(301,700)	-	(905,100)	3,620,400
ababions	172,727	-	-	-	-	-	172,727	(13,818)	-	-	(6,909)	-	(20,727)	152,000
uardrails	36,909	-	-	-	-	-	36,909	(2,953)	-	-	(1,476)	-	(4,429)	32,480
oad signs	98,613	9,252	-	-	-	-	107,865	(13,148)	-	-	(7,080)	-	(20,228)	87,637
oad markings	21,875	3,238	-	-	-	-	25,113	(2,917)	-	-	(1,635)	-	(4,552)	20,561
oncrete Block Paving For Roads	10,920,000	971,524	-	-	-	-	11,891,524	(1,456,000)	-	-	(781,057)	-	(2,237,057)	9,654,467
oncrete for Structures	409,700	32,384	-	-	-	-	442,084	(54,627)	-	-	(29,082)	-	(83,709)	358,375
ridges	12,337,940	10,058,918	-	-	-	-	22,396,858	(1,645,059)	-	-	(1,342,826)	-	(2,987,885)	19,408,973
reet lighting	1,079,269	-	-	-	-	-	1,079,269	(10,842)	-	-	(71,951)	-	(82,793)	996,476
igh Masts	4,196,719	-	-	-	-	-	4,196,719	(559,563)	-	-	(279,781)	-	(839,344)	3,357,375
	95,067,923	11,974,322	-	-	-	-	107,042,245	(12,079,105)	-	-	(6,713,273)	-	(18,792,378)	88,249,867
community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

June 2012

Analysis of property, plant and equipment as at 30 June 2012

Accumulated depreciation

Cost/Revaluation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General vehicles	7,657,055	2,860,547	(3,113,754)	-	-	-	7,403,848	(4,516,448)	2,217,409	-	(909,584)	-	(3,208,623)	4,195,225
Plant & equipment	2,192,830	956,936	(978,109)	-	-	-	2,171,657	(1,024,338)	528,773	-	(341,473)	-	(837,038)	1,334,619
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2,729,045	372,360	(1,172,452)	-	-	-	1,928,953	(1,055,424)	657,671	-	(414,139)	-	(811,892)	1,117,061
Office Equipment	977,078	130,711	(110,335)	-	-	-	997,454	(327,019)	46,528	-	(185,421)	-	(465,912)	531,542
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loose Tools	507,891	342,352	(91,769)	-	-	-	758,474	(37,693)	11,660	-	-	(144,797)	(170,830)	587,644
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sheds and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trains and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	(14,554,571)	-	-	51,858,596	-	-	-	-	-	-	51,858,596
Other	13,418,812	52,994,355	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total property plant and equipment	27,482,711	57,657,261	(5,466,419)	(14,554,571)	-	-	65,118,982	(6,960,922)	3,462,041	-	(1,850,617)	(144,797)	(5,494,295)	59,624,687
Land and buildings	13,758,105	3,468,500	-	-	-	-	17,226,605	(2,629,373)	-	-	(596,375)	-	(3,225,748)	14,000,857
Infrastructure	95,067,923	11,974,322	-	-	-	-	107,042,245	(12,079,105)	-	-	(6,713,273)	-	(18,792,378)	88,249,867
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	27,482,711	57,657,261	(5,466,419)	(14,554,571)	-	-	65,118,982	(6,960,922)	3,462,041	-	(1,850,617)	(144,797)	(5,494,295)	59,624,687
total property plant and equipment	136,308,739	73,100,083	(5,466,419)	(14,554,571)	-	-	189,387,832	(21,669,400)	3,462,041	-	(9,160,265)	(144,797)	(27,512,421)	161,875,411
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computers - software & programming	1,335,506	2,895	-	-	-	-	1,338,401	(60,707)	-	-	(313,406)	-	(374,113)	964,288
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total	1,335,506	2,895	-	-	-	-	1,338,401	(60,707)	-	-	(313,406)	-	(374,113)	964,288

Appendix B

June 2012

Analysis of property, plant and equipment as at 30 June 2012 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Investment properties														
Investment property	1,171,500	-	-	-	-	-	1,171,500	-	-	-	-	-	-	1,171,500
total	1,171,500	-	-	-	-	-	1,171,500	-	-	-	-	-	-	1,171,500
Land and buildings	13,758,105	3,468,500	-	-	-	-	17,226,605	(2,629,373)	-	-	(586,375)	-	(3,225,748)	14,000,857
Infrastructure	95,067,923	11,974,322	-	-	-	-	107,042,245	(12,079,105)	-	-	(6,713,273)	-	(18,792,378)	88,249,867
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialized vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	27,482,711	57,657,261	(5,466,419)	(14,554,571)	-	-	65,118,982	(6,960,922)	3,462,041	-	(1,850,617)	(144,797)	(5,494,295)	59,624,687
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tangible assets	1,335,506	2,895	-	-	-	-	1,338,401	(60,707)	-	-	(313,406)	-	(374,113)	964,288
Investment properties	1,171,500	-	-	-	-	-	1,171,500	-	-	-	-	-	-	1,171,500
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total	138,815,745	73,102,978	(5,466,419)	(14,554,571)	-	-	191,897,733	(21,730,107)	3,462,041	-	(9,473,671)	(144,797)	(27,886,534)	164,011,199

Appendix D(1)
June 2012

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Forecast # 1 2012	Forecast # 1 2012			
	Act. Bal.	Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget	
	Rand	Rand	Rand	Var	
Revenue					
Sale of goods	-	-	-	-	
Sale of goods in agricultural activities	-	-	-	-	
Rending of services	-	-	-	-	
Rending of services in agricultural activities	-	-	-	-	
Property rates	41,358,051	41,443,710	(85,659)	(0.2)	
Service charges	-	-	-	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	92,511	100,000	(7,489)	(7.5)	
Interest received - trading	-	-	-	-	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
Public contributions and donations	-	-	-	-	
Fines	-	-	-	-	
Licences and permits	-	-	-	-	
Government grants & subsidies	128,573,000	130,121,000	(1,548,000)	(1.2)	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	2,466,116	4,000,000	(1,533,884)	(38.3)	Only one traffic station was fully operating during the year while we expected the two of the to in fully operation during the budgeting.
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	703,661	6,963,614	(6,259,953)	(89.9)	The budget for other income contains a VAT amount of R\$ 263,614.00 recoverable from SARS, which is credited to the VAT control account when is received.
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	

Appendix D(1)
June 2012

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Forecast # 1 2012 Act. Bal.	Forecast # 1 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Interest received - Investment	3,671,638	3,850,000	(178,362)	(4.6)
Interest received - Outstanding debtors	6,745,089	4,773,455	1,971,634	41.3 The debtors balance increased significantly during the year, as a result of non-payment.
Dividends received	-	-	-	-
	183,610,066	191,251,779	(7,641,713)	(4.0)
Expenses				
Personnel Costs	(25,671,515)	(33,120,902)	7,449,387	(22.5) Vacancies that were budgeted for, were filled on time and other were not filled as at year end.
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(13,951,429)	(14,102,429)	151,000	(1.1)
Administration Transfer payments	-	-	-	-
Depreciation	(9,305,061)	(3,187,986)	(6,117,075)	191.9 Restatement of figures due to unbundling of Assets.
Impairment	(313,406)	-	(313,406)	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance Charges	(8,730)	(110,000)	101,270	(92.1) We were anticipating to have the machines on 01 July 2011, but were only in operation towards the end of the financial year, hence the difference.
Debt impairment	(7,221,896)	(29,587,545)	22,365,649	(75.6) The policy requires all debtors above 120 days to be impaired. Government debtors were initially budgeted for impairment and were subsequently taken out of the provision.
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses	-	-	-	-
Repairs and maintenance	-	-	-	-
- General	-	-	-	-
Repairs and maintenance	-	-	-	-
- General	-	-	-	-
Bulk purchases	-	-	-	-
Contracted Services	(30,548,429)	(31,351,486)	803,057	(2.6) Repairs and maintenance for municipal buildings which was budgeted for was not done during the current financial year.
Grants and subsidies paid	-	-	-	-
Cost of housing sold	-	-	-	-
Other Expenses	(55,604,164)	(43,226,555)	(12,377,609)	28.6 Electricity projects were initially budgeted under capital expenditure and were subsequently expensed under operating budget as the Municipality does not have authority for electricity functions.
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other revenue and costs	(142,624,630)	(154,686,903)	12,062,273	(7.8)

Appendix D(1)
June 2012

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Forecast # 1 2012 Act. Bal.	Forecast # 1 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal	-	-	-	-
groups	-	-	-	-
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
Net surplus/ (deficit) for the year	40,985,436	36,564,876	4,420,560	12.1